



MINUTES
Economic Development Authority
February 18, 2020

CALL TO ORDER

The Economic Development Authority meeting was called to order at 5:00 pm.

Present: Chair: Jahn Dyvik; Vice Chair: Lori Goodsell; Board: Tim Hultmann, Michelle Jerde, Deirdre Kvale, and Charlie Miner

Staff Present: City Administrator/Executive Director: Scott Weske; City Attorney: John Thames

Absent: Board: Tom Skjaret (with prior notice)

PLEDGE OF ALLEGIANCE

APPROVE AGENDA

A motion was made by Jerde, seconded by Miner, to approve the agenda. Ayes: all.

CONSENT AGENDA

- A. Approve Minutes of January 21, 2020 Economic Development Authority Meeting

A motion was made by Jerde, seconded by Miner, to approve the minutes of the January 21, 2020 EDA meeting. Ayes: all.

OPEN CORRESPONDENCE

None.

BUSINESS ITEMS

Receive and Review Additional Development Proposal Information – Virginia Avenue and Adjacent Area

Scott Weske, Executive Director, gave a brief summary of past discussions regarding proposals for the Virginia Avenue area property.

Chair Dyvik stated that he has a potential conflict of interest because his wife leases from one of the applicants. He stated that by doing research with the League of Minnesota Cities and discussing this with the City Attorney, it was determined that he can remain impartial and should not need to recuse himself, but wanted the EDA to be aware of the issue. He reviewed the format of presentations and noted that he would like the majority of the time be reserved for questions and answers.

The EDA discussed their desire to down select to a final candidate at the conclusion of tonight's meeting.

A. Additional Development Proposal Information – The Burrough – Towne Flats, 65 Market Rate Rental Units (6 Buildings)/ Ben Landhauser, Lifestyle Communities

Ben Landhauser, Lifestyle Communities, gave a brief overview of the discussions they have held with Trinity Vincent about some type of potential partnership in this project. He stated that they also met with James Whisker and Kate Moran regarding what the MCWD is looking for in relation to a potential project. He stated that he wouldn't go into detail of their proposal tonight because it hasn't changed much since the last presentation. He stated that their hope is that this will be something that will appeal to families with a residential flavor because that is what their research has shown is what the City needs. He stated that they feel very confident in this product as it has been presented. He stated that if they are unable to obtain the hold-out parcel in the area, they can decrease their planned units to 56 rather than 65.

Board member Goodsell asked about the cost per square foot for the buildings.

Mr. Landhauser stated that it is around \$106/sq. ft. and believes it adds up to about \$206,000/unit. He stated that they are planning about \$1.60/sq. ft. for the rental charge.

Chair Dyvik asked if Trinity Vincent chose to partner with them whether it would be as an investment partner.

Mr. Landhauser stated that he cannot speak for them, but based on his meeting with them, all of their projects end up being something they at least partially own. He explained that if they stepped in, they would be as principal owner and Lifestyle Communities would be a minority owner in the project, as proposed.

Chair Dyvik expressed concern about the possibility of a bait and switch situation.

Mr. Landhauser assured the EDA that would not be the case and the product that has been presented will remain the same. He explained that he just wanted to be up front regarding the possibility of the involvement of Trinity Vincent.

Board member Jerde confirmed that this project will need TIF funding.

Mr. Landhauser stated that they are anticipating that this would qualify for a redevelopment TIF district.

Board member Kvale asked if they would consider a smaller scale project if this did not qualify for a TIF district.

Mr. Landhauser stated that with this product, it would not work to do a smaller development without the TIF district.

Chair Dyvik asked if they did not qualify for a redevelopment TIF district whether they would consider a housing TIF district.

Mr. Landhauser stated that they would take a look at it but noted that it would impact the financing structure. He stated that they are anticipating that it will be a pay as you go TIF loan. He explained the modeling he used for the projected TIF loan.

Board member Kvale asked about how the development would ensure that they do not box in the resident who, at this time, is not interested in selling their property.

Mr. Landhauser stated that they attempted to preserve the majority of the existing right-of-way corridor. He stated that if that individual chooses not to participate in this project, they will configure the parking area and ensure that all the platted lots conform with City standards without that lot seeming like an island.

The EDA discussed the number of units, right-of-way, setbacks, and potential access points for the project.

Board member Goodsell asked about the difference in the property value now and when this development goes in for the property owner who is not interested in selling.

Mr. Landhauser stated that he cannot speak to that situation in absolutes, but noted that they have purposely not had any conversations with that individual to this point. He stated that if Lifestyle Communities is selected by the City to move forward with this project, they would at least have a conversation and attempt to come to terms with that individual.

Chair Dyvik asked why there were no elevators proposed in the plans.

Board member Miner stated that he was planning to ask the same question and asked if Lifestyle Communities would be willing to work with the City and include elevators in a few of the buildings.

Mr. Landhauser stated that because this is a rental project, they will be required to have accessible units. He explained some of the expected modifications to meet those requirements. He stated that the walk-up model was a consistent rental option that feels more than a townhome than an apartment building.

Tim Nichols, Lifestyle Communities, noted that the proposed buildings will only have half flights of stairs between each level.

Board member Goodsell confirmed that the color choices for the building can be changed.

Chair Dyvik asked, if Lifestyle Communities was given the green light, how soon they would close on the properties.

Mr. Landhauser stated that within a month of getting the green light, they should know more about obtaining the contracts on the existing properties and whether this would qualify as redevelopment project for TIF.

B. Additional Development Proposal Information – Buckhorn Apartments, Approx. 110 Market Rate Apartments (2 Buildings)/Neil Weber and Wayzata Bay Realty

Chair Dyvik asked Mr. Weber to present any new information they may have to the EDA and then noted that he would like to spend the majority of the time with questions and answers.

Neil Weber noted that they have also had discussions with Trinity Vincent but explained that they would not be a financial partner in this project. He stated that they have also met with the watershed district about this project. He stated that they have submitted an enhanced site plan since the previous meeting and gave an overview of the enhanced plan and the proposed public improvements. He stated that they are requesting TIF assistance and believe it will most likely be residential TIF. He explained that they plan to have several styles of units such as efficiencies,

some 1 bedrooms and quite a few 2-bedroom units. He stated that they are not expecting this project to generate much interest from families with children.

Board member Kvale stated that the rates listed in what was submitted seem quite low and gave the example of \$1,250/month for a 2-bedroom unit. She asked if the affordable housing prices will be even lower than this.

Mr. Weber stated that they will need to have a certain number of affordable housing units.

Chair Dyvik stated that to him, that price already seems affordable and shared some information regarding the median income for residents in the City.

Mr. Weber stated that the key difference is that this is affordable housing, not low-income housing.

Board member Kvale stated that this seems as though it is below market rate for housing.

Mr. Weber stated that the rates listed are their low-end estimates.

Board member Goodsell asked if there was a preliminary construction budget and a preliminary TIF estimate.

Mr. Weber explained that they do have preliminary construction costs but cannot nail down the TIF estimate yet.

Board member Goodsell asked if when they found out that information if there was a chance that they could not move forward with the project.

Mr. Weber stated that they are expecting that this project will qualify for TIF and noted that their design will reflect what they have to spend.

The EDA discussed access to the home that is not interested in selling, costs per unit and the similarity to the project in Orono.

Board member Goodsell stated that, in her opinion, she loves the design proposed including the parks but has concerns about the management. She expressed her concerns that what has happened with the clock at the shopping center will happen to this facility. She stated that she is not trying to be a jerk and truly believes that the design, as proposed, is gorgeous, but has real concerns about how this property will be maintained based on the shopping center and their other buildings in the area.

Board member Miner agreed that the City has gotten a lot of feedback on both the clock at the shopping center and other Wayzata Bay Realty properties in the area.

John Patch, Wayzata Bay Realty, indicated he can address those concerns and noted that the only people that will give you a review are the ones that have a negative opinion. He stated that there are not any code, safety or health violations.

Board member Miner asked if the Fire Chief had recently inspected the Town Center and if there were any violations found.

Mr. Patch confirmed the Chief had done so, and admitted that he found very minor violations such as some storage areas not being cleaned out. He commented that there were not any real safety

issues found at all, just minor issues with some of the tenants. He stated that they are working with the Fire Chief to get these issues resolved.

Board member Hultmann stated that he has had one of their apartment buildings next to his home for the past 20 years, there have been no problems and the apartments have been a good neighbor.

Mr. Weber stated that one of the things he has talked about as a longtime resident of the City is that there needs to be something that fits into the overall scheme of the City. He stated that they will make quality buildings and it is important to him individually to see how this project will fit into the City. He asked the EDA to take a look at the overall plan for the project.

Board member Kvale expressed confusion with his plans to put high quality materials and details into the building but have very low rents for the units.

Mr. Weber stated that they will be able to do it because there are 110 units on a site where there will be 60% open space.

Mr. Patch added that they are not saying they will have low rents, and that the numbers put into the packet were supposed to represent a general rent price.

Mr. Weber stated that there is no affordable housing requirement with this property.

Chair Dyvik asked if this development had selected a builder.

Mr. Patch replied that they have not selected a builder at this point but noted that it is likely they would use H.D. West Construction.

Mr. Weber explained the benefits he feels the City will receive from this project with a TIF district.

Chair Dyvik asked what a realistic timeframe would be for this project moving forward, if they are selected.

Mr. Weber stated that he believes it will take about 90 days to determine the TIF district and would expect the plans to be completed by September or October.

Mr. Patch noted that a majority of his tenants have rented from him for a decade or more and believes that speaks louder than whatever comments may be left on Yelp.

Mr. Weber reviewed their proposed plans for a 3-story building with what he considers a simple, classic design.

Board member Kvale expressed concern about traffic concerns with 110 units.

Mr. Patch responded that apartment buildings do not generate that much traffic other than cars leaving in the morning and returning in the evening.

Chair Dyvik asked the EDA to spend some time discussing the options and determine whether a decision can be made tonight.

Board member Kvale stated that she would like Board member Skjaret to have opportunity to express his opinion.

Board member Miner stated that Board member Skjaret had expressed his opinion in the letter that was distributed to the EDA via e-mail.

Board member Kvale expressed concern that having 110 units will have a huge impact on that corner.

Weske noted that he had printed off the affordable housing requirements and explained them to the EDA.

Board member Hultmann stated that he supports the Buckhorn Apartments proposal. He indicated that what he doesn't like about the Lifestyle Communities proposal is that they will build it and then farm it out to someone else to manage.

Board member Goodsell stated she prefers the Lifestyle Communities proposal by a slim margin because they provided more information about actual construction costs and TIF.

Board member Kvale added that she concurs because Lifestyle Communities provided more detail and actual facts.

Board member Miner indicated that he is a bit torn because both were good proposals. He stated that the City has been working with Lifestyle Communities for quite a while and has a good working relationship, but he understands the possible advantages to working with a hometown crew as well. He commented that he feels there are pros and cons to both proposals.

Board member Jerde stated that she agrees because she likes both proposals, but because Lifestyle Communities already has two projects in the City, she would like to see this project go to another developer.

Chair Dyvik stated that they were both good proposals and did have pros and cons for each project. He pointed out that both projects depend on whether a TIF district will be approved because if not, the City will be back to square one.

A homeowner in the audience asked for permission to speak.

Chair Dyvik welcomed her to comment if she was able to be brief.

The homeowner stated that they live across the street from this area and feels as though they are being held hostage by this situation because they cannot sell their house in good faith and not tell people about the potential for this kind of development. She said that she understands that there are a lot of details that need to be considered, but every month that passes is affecting the lives of the people who live in this area. She reiterated that they feel like they are being held hostage until a decision is made and waiting month after month is hard on them.

Board member Miner asked for legal advice on how to approach this decision with regard to negotiations and moving forward.

City Attorney Thames stated that the direction can be to start with one developer and if negotiations reach an impasse to bring it back to the EDA for a decision. He advised that he would suggest the EDA select the project that they want to move forward, but reminded them that a public hearing will be required as part of the process.

Weske asked for clarification of what a development agreement would look like.

City Attorney Thames stated that what is being discussed right now is basically a purchase agreement and the preliminary deal to sell the land which will be conditioned upon the public hearing. He stated that the purchase agreement would be contingent that the developer will sign the development agreement with the City.

Chair Dyvik asked whether the ownership of this lot would happen at the same time as the developer purchases all the other lots in the area.

City Attorney Thames stated that he anticipates that may be a contingency with either of the developers.

Weske stated that his only concern is that at the end of the day, finances are very important and he would like to see "all the ducks to be in a row". He stated that coming to an agreement with a developer without having more substantial details would be very difficult for him to come to terms with.

Board member Miner stated that he understands those concerns and suggested that the EDA go ahead and take a vote so the area homeowners aren't stuck anymore.

Chair Dyvik stated that he is leaning towards the project proposal by Lifestyle Communities.

Board member Jerde stated that she supports the Wayzata Bay Realty proposal.

Board member Kvale stated that she supports Lifestyle Communities.

Board member Miner stated that he has a greater comfort level with Lifestyle Communities.

A motion was made by Board member Miner, seconded by Board member Goodsell, that the EDA enter into negotiations with Lifestyle Communities for acquisition of City's land. Ayes: 4. Nays: 2 (Jerde and Hultmann). Motion carried.

Mr. Landhauser stated that he appreciates the EDA's support and noted that he will work with City staff to work out a realistic timeline for the project.

Update Regarding RFP for 1905 W Wayzata Boulevard/Former BP Station Site

Weske report that there were no responses received to the RFP for the subject property, even from the parties that had told the City that they were interested. He added that, in his opinion, it is in the best interest of the City to sit on this property and utilize it to create more of a green space at this time.

OTHER BUSINESS

None.

ADJOURN

Chair Dyvik adjourned the meeting by general consent at 6:31 pm.

Respectfully submitted,
Scott Weske, Executive Director